

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2004-331

June 9, 2004

CASCO BAY ISLAND TRANSIT DISTRICT
Application for Issue of Securities
(\$ 902) (\$350,000 General Revenue Bond)

ORDER APPROVING
ISSUANCE OF
SECURITIES

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

On May 20, 2004, the Casco Bay Island Transit District (CBITD or the District) filed with the Commission its application for authority to issue a \$350,000 General Revenue Bond to finance a portion of a new passenger ferry. The bond will carry an interest rate of 4.40% and a maturity date of November 1, 2011 or roughly 7.5 years. The new ferry will replace an older boat that is being retired in 2005. This Order approves CBITD's request.

II. BACKGROUND & ANALYSIS

The *M/V Island Holiday* was built in 1967 and is being retired by the District in 2005. CBITD has recently solicited bids for the ferry's replacement and for financing and has received terms acceptable to its Board of Directors. The cost of the replacement ferry will be approximately \$3.18 million and the vessel is scheduled for delivery by March 15, 2005. The District has received grants from the Federal Transit Administration and the State of Maine for \$1.98 million and \$850,000 respectively which amount to roughly 90% of the total project cost, leaving a requirement for \$350,000 in additional financing.

BankNorth N.A. responded to CBITD's financing solicitation and offered three rate and term options for the District to consider.¹ At its May 21, 2004 meeting, CBITD's Board of Directors unanimously voted to accept an offer of 4.40% (tax-exempt rate) for seven years. Because the repayment schedule does not require a payment before November 1, 2005 and closing is anticipated for July 1, 2004, the actual maturity will be closer to 7.5 years with the 4.40% interest rate remaining unchanged. There is no prepayment penalty associated with the bond, and while the District is required to guarantee payment of interest and principal, the proposed borrowing is unsecured.²

¹ CBITD states that it solicited "a half-dozen" banks for quotes. Tax-exempt rates were quoted for 5 years at 3.90%, 7 years at 4.40% or 10 years at 5.00%.

² Security is the "Good faith and Credit" of CBITD. There will be no ship's mortgage associated with the bond.

CBITD will sell the M/V Island Holiday when the new vessel enters service in 2005, but at this time has no estimate of its market value. The District also states that it expects there to be no specific rate impact directly resulting from this transaction.

Having reviewed the application of the Company, together with data filed in support of it, it is the opinion of the Commission that the proceeds of the issuance of this bond are required in good faith for the purposes enumerated in 35-A M.R.S.A. §901. In approving this securities issue, consistent with normal practice and pursuant to §902(4), the Commission does not imply approval of the District's capital needs or capitalization ratio for ratemaking purposes, nor does this order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, we

ORDER

1. That Casco Bay Island Transit District is hereby authorized to issue its General Revenue Bond in the amount of \$350,000 through BankNorth, N.A. at an interest rate not to exceed 4.40% with a maturity date of November 1, 2011, solely for the purposed described in this Order.

2. That the District report to this Commission, in writing, its actions pursuant to this Order within ninety (90) days of the date of the closing of this transaction.

3. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 9th day of June, 2004.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.